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PP RUEHFL RUEHNP  
DE RUEHRO #2395/01 3331953  
ZNY CCCCC ZZH  
P 291953Z NOV 07  
FM AMEMBASSY ROME  
TO RUEHC/SECSTATE WASHDC PRIORITY 9459  
INFO RUEHMIL/AMCONSUL MILAN PRIORITY 9117  
RUEHFL/AMCONSUL FLORENCE PRIORITY 2778  
RUEHNP/AMCONSUL NAPLES PRIORITY 2922

C O N F I D E N T I A L SECTION 01 OF 03 ROME 002395

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E.O. 12958: DECL: 11/30/2017  
TAGS: [PARM](#) [PREL](#) [MNUC](#) [MCAP](#) [MARR](#) [NATO](#) [IR](#) [IT](#) [AF](#) [IZ](#)  
LE, YI, LY, RS  
SUBJECT: SCENESETTER FOR VISIT OF U/S ROOD TO ROME

REF: ROME 2167

Classified By: Acting Political Minister-Counselor Jonathan Cohen for Reasons 1.4 (B) and (D)

11. (C) Summary: Your visit to Italy offers a well-timed opportunity to engage the GOI on a range of critical issues, in particular Iran, Missile Defense and CFE. Italy's weak center left government has succeeded in staying afloat for nineteen months despite a fractious eight-party coalition and a razor-thin majority in the upper chamber of Parliament. PM Prodi's government continues to pay close attention to key foreign policy issues, such as the Middle East Peace Process, Iran, Afghanistan, Kosovo and Russia. We have usually been able to get this government to play a helpful role on issues we care most about, but often only after continued high-level engagement, which makes visits like yours particularly important. You will find that your interlocutors will be eager to hear about the status of Missile Defense and CFE discussions with Russia and keen to secure a role for Italy in Iran negotiations. End Summary.

Missile Defense/CFE  
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12. (C) The GOI has followed closely the U.S.-Russia talks over Missile Defense and CFE, expressing on occasion concern that Italy be covered by whatever architecture emerges and urging that the Russians not be made to feel besieged. (Italy's dependence on Russian energy imports makes the government hesitant to take positions that could be construed by Moscow as confrontational). The Italians have requested a bilateral U.S.-Italy channel to discuss Missile Defense and will be eager to receive an update on the 2 2 and expert-level talks and CFE discussions. In September A/S DeSutter briefed the Italians on the status of post-START negotiations, Missile Defense, CFE, North Korea and Libya (Reftel).

Global Initiative/PSI/General NP Issues  
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13. (C) Italy is a an Initial Partner Nation in the Global Initiative to Combat Nuclear Terrorism and an active participant in PSI exercises, including the recent multi-partner exercise in Rhodes, Greece. Italy supports the EU position in favor of a speedy entry into force of the Comprehensive Test Ban Treaty (CTBT), but has traditionally been supportive of U.S. positions on the Fissile Material Cutoff Treaty (FMCT).

Libyan Chemical Weapons Program  
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14. (C) The GOI told A/S DeSutter in September that the Libyan

request for Italian financing for the conversion of its CW program and destruction of its CW stockpile was still on the table, as was the Italian offer to provide assistance using Italian firms. Two Italian firms have bid on contracts thus far, but the proposals remain on hold pending the OPCW's examination of the project plans. The Italians were surprised to learn, after the Libyan request was made, that the U.S. had already offered financing for the same projects, and have agreed to consult closely with us on this issue as the projects move forward. Italy continues to try to negotiate a package of agreements with Libya that will put to rest long-standing Libyan demands for compensation for alleged Italian misdeeds during the colonial period.

Iran

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¶5. (C/NF) Italy is currently in both the UNSC (through 2008) and the IAEA Board of Governors. Italian officials have a clear preference for UNSC sanctions over autonomous EU measures, but are skeptical that sanctions alone will change Iran's approach to the nuclear issue. High ranking GOI officials have repeatedly said that they believe only strong UNSC sanctions coupled with an unconditional offer to negotiate stand a chance of succeeding. Italy has a substantial economic interest in Iran -- being one of Iran's top trading partners and fifth largest export market as of 2005/2006 -- and has suggested that any international sanctions would have to take this into account. Their preference for UNSC sanctions stems from the conviction that EU and U.S. "unilateral" sanctions will leave the Iranian market open for Russian and Chinese firms while also giving the current Iranian regime an excuse to blame certain western countries for Iran's poor economic performance. The GOI has

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consistently pressed for a seat at the P5 1 table complaining that Italy is a "payer but not a player" on Iran. You can expect your interlocutors to raise this with you, arguing that Italy would feel at least as much pain from new sanctions/measures as Germany and should therefore be included early on in the discussions of new sanctions/measures for a third UNSCR.

¶6. (C/NF) PM Prodi and FM D'Alema hosted Iranian negotiators Larijani and Jalili in Rome in November when they last met Solana. PM Prodi's NSA equivalent led an Italian delegation to Tehran in the fall for meetings with Larijani and other Iranian government officials. These high-level meetings outside the established processes harm the international community's effort to present a unified position vis-a-vis Iran. We should seek to dissuade the Italians from further freelancing.

¶7. (C) Iran/export credits: Italian trade with Iran in 2006 amounted to 5.6 billion euros, second only to Germany in the EU. Italian export credit guarantees are also high, reportedly about 2 billion euros after a net decline of about 500 million euros in 2006. According to SACE, the Italian Export Credit Agency, no new guarantees have been issued to Iran since January 2007. This position, however, is not public and SACE and MFA contacts tell us that it is a difficult position for SACE to maintain in light of Italy's robust trade relationship with Iran. MFA and SACE officials are concerned that a ban on new export credits in a Security Council Resolution could imperil existing projects in Iran -- which account for ten percent of SACE's income. However, if new measures take those concerns into account, SACE officials tell us that a clear and universal ban on export credits would make their position on Iran easier and say they would support such measures. SACE officials recently told Treasury Under Secretary Stuart Levey that they are conducting a review of all export credits issued since 2003 for involvement in companies of proliferation concern. SACE also claims to be reviewing all exposure to Iran since 2003 to determine if dual-use controls have been violated.

MEPP

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¶18. (C) The Italians want to be helpful on the Middle East peace process (MEPP) and believe they can make an important contribution. FM D'Alema attended the Annapolis conference and called the U.S. decision to host it "courageous." He has repeatedly said he sees concrete movement on the MEPP as central to forestalling the spread of dangerous forms of extremism, which pose a growing threat to Europe.

Afghanistan

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¶19. (C) Italy is one of ISAF's biggest contributors (2,300 troops, commands Western Region (Herat) and assumes command of Kabul Region in December). Radical left members of Prodi's coalition opposed to Italy's ISAF role fomented a government crisis in February 2007, but he reassembled his majority and reconfirmed Italian ISAF participation, which has remained solid. The Italian deployment will be debated again in January/February when it needs to be refinanced by the Parliament. Italian reconstruction assistance to Afghanistan is less robust than its security assistance; however, Italy plays a lead role in the justice sector, and recently hosted an International Donors' Conference, which exceeded expectations by generating about \$98 million in new pledges.

Kosovo

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¶10. (C) Italy believes Kosovo's independence is necessary and inevitable and the PM and FM have pledged support for UNOSK Ahtisaari's proposal. Italy would prefer to see a status solution through a UNSCR, but should Russia block UN action, it is prepared to recognize a unilateral declaration of independence by Kosovo provided the EU remains united on the issue. Italy is a large troop contributor to KFOR and has played a generally constructive role in the Balkans.

UNIFIL/Lebanon/Syria

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¶11. (C) When the Lebanon crisis flared in 2006, Italy hosted the Rome conference and then took a leading role in establishing and contributing to an enhanced UNIFIL II force which they currently command (they are the single largest

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troop contributor with approximately 2500 troops). Italy contributed 30 million euros at the Stockholm Donors Conference and 156 million euros at the Paris Donors Conference. The center-left Italian government does not want to see Italian casualties in Lebanon and is therefore hesitant to confront Syria or Hizballah directly. FM D'Alema visits the region frequently. We take every opportunity to thank the GOI for their leadership in UNIFIL, and encourage Italian leaders to maintain the pressure on Iran and Syria to cease their destabilizing tactics in Lebanon.

Iraq

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¶12. (C) In late 2006 PM Prodi carried out his campaign promise (already planned by former PM Berlusconi) to withdraw Italian troops from Iraq. The withdrawal was orderly and coordinated with Iraq and coalition allies. Italy remains committed to supporting Iraq's political and economic development. It also maintains a PRT in Dhi Qar, is the leading contributor to the NATO Training Mission, has contributed 240 million Euros for reconstruction since 2003, provided a 400 million Euro soft line of credit, hosted a "lessons learned" conference on reconstruction and security transition in Iraq in June, and an economic development and donor coordination conference in October 2007. NATO has

reacted favorably to an Italian proposal to make Partnership-for-Peace-like instruments available to Iraq, using as a possible model the NATO framework partnership agreement with Afghanistan.

#### Energy Security

¶13. (C) Italian energy policy is conditioned by three basic factors: an almost total lack of domestic energy sources, opposition to major energy-related infrastructure projects, and an intense commercial relationship with Russia in the energy sector. While the government has offered rhetorical support for energy-related infrastructure projects that would enhance Italian energy security, it has been unwilling to engage in the heavy lifting necessary to overcome vocal opposition at the local level to these projects. A national referendum in 1987 had the practical effect of banning nuclear power generation in Italy. As a result, Italy is substantial importer of electricity, with much of the supply originating in France.

¶14. (C) OPEC provides 57 percent of Italy's total oil imports, including Libya (24.87 percent), Saudi Arabia (10.85 percent), Iran (8.74 percent), Algeria (6.45 percent), Iraq (3.78 percent), Nigeria (1.34 percent), Venezuela (0.64 percent), and Indonesia (0.33 percent). Non-OPEC countries, including Russia, provide the remaining 43 percent of oil imports. Natural gas is used to generate over half of Italy's electricity supply. Natural gas imports are sourced equally from Russia, the North Sea and Algeria. Diversification to Gulf sources is desired, but can only be accomplished through construction of liquid natural gas (LNG) regassification plants. Owing to local opposition, only one LNG plant is operational. The already strong energy relationship between Italy and Russia was further enhanced over the past year, as ENI (the oil and gas parastatal 30 percent owned by the GOI) gained access to exploration and extraction in Russia in exchange for allowing Gazprom to sell natural gas to Italian customers. Earlier this month, ENI also announced it will partner with Gazprom in the construction of the "South Stream" natural gas pipeline which will bring Central Asian gas to Central and Western Europe via a 10 billion euro underwater pipeline crossing the Black Sea. Italian energy investment in Iran totals about \$2.5 billion and discussions between ENI and Teheran have intermittently taken place regarding possible future investments in the South Pars gas fields.

SPOGLI